

## **Health Insurance Pooled Purchasing: Prospects for Wisconsin**

for "Who Are the Uninsured in Wisconsin?"  
September 20, 2001

---

**A.B. Orlik**

Program Manager

Office of Private Employer Health Care Coverage  
Wisconsin Department of Employee Trust Funds

608.261.0140 voice

608.261.0142 fax

ab.orlik@etf.state.wi.us

<http://badger.state.wi.us/agencies/etf>  
(PEHCCP info under "About Us")

### **Key questions**

---

- ▲ What *is* a health insurance purchasing pool and why are pools under consideration?
- ▲ What challenges does Wisconsin face in developing a pool?
- ▲ What's next for the Private Employer Health Care Coverage Program (PEHCCP)?

---

Private Employer Health Care Coverage Program

## **Small business challenges**

- ▲ Less likely to offer insurance
- ▲ Average premiums higher than for large groups
- ▲ Many employees covered elsewhere
- ▲ Quotation process requires significant investment of time/money

---

Private Employer Health Care Coverage Program

## **Expectations of pooling**

- ▲ Administrative efficiencies
- ▲ Leveraged negotiating power for lower premiums
- ▲ Pooled risk for more stable premiums
- ▲ Treatment by health plans as one large group

---

Private Employer Health Care Coverage Program

## **Types of “pooled purchasing”**

- ▲ Single health plan option
  - “Marketing arm” (e.g., Chambers of Commerce)
  - Self-funded associations (e.g., WATDA)
- ▲ Multiple health plan options
  - Employer choice
  - Employee choice
- ▲ Variety of sponsors (private/public)

---

Private Employer Health Care Coverage Program

## **Consumer-choice model**

- ▲ Multiple insurance carriers and HMOs
- ▲ Standardized plan designs
- ▲ Employee choice: health plan and/or product
- ▲ Employer contribution benchmarked to lowest-cost option for employees
- ▲ Consumer information

---

Private Employer Health Care Coverage Program

## **What contributes to success?**

### **▲ Timing**

- Strong impetus for reform in many states
- Great deal of interest in pooling to reduce uninsured and increase competition

### **▲ Market environment**

- Use of health status in rating
- Desirability of managed care

### **▲ Funding**

- Sufficient start-up and marketing dollars

---

Private Employer Health Care Coverage Program

## **Lessons from other states**

- ▲ *Choice* is pool's greatest advantage (retention greater than 90%)
- ▲ Successful pools are part of comprehensive reform
- ▲ To date, unable to shift health plan practices
- ▲ To prevent "death spiral," rules within the pool must match rules outside the pool

---

Private Employer Health Care Coverage Program

## **Wisconsin's challenges**

- ▲ Limited start-up funding
- ▲ Wide range of factors health plans can use to set rates for new groups:
  - Unlimited adjustments for age, sex, geography, occupation, family composition
  - 30% rate band for health status (will include occupation effective in 2002)
  - Up to 15% of renewal increase may be based on health status

---

Private Employer Health Care Coverage Program

## **Health plan participation**

- ▲ Objections:
  - Adverse selection vs. outside market
    - Flexibility, sophistication of underwriting
    - No incentive for employers to choose pool
  - Head-to-head competition
    - Potential adverse selection among employees
- ▲ Potential solutions:
  - Modified community rating
  - Substantial subsidies for pool participants
  - Effective risk adjustment system

---

Private Employer Health Care Coverage Program

## **Accomplishments to date**

- ▲ Research into other states' successes and challenges
- ▲ Request for Proposal for administrative services
- ▲ Technical changes to statute based on vendor feedback

---

Private Employer Health Care Coverage Program

## **Next steps**

- ▲ Explore alternative sources to replace vetoed funds
- ▲ Update and re-issue Request for Proposals for administrative services
- ▲ Seek support from Governor, Commissioner of Insurance and other parties in ensuring health plan participation

---

Private Employer Health Care Coverage Program